

**ICC Docket Nos. 07-0241 and 07-0242**  
**The Peoples Gas Light and Coke Company's and**  
**North Shore Gas Company's Response to**  
**Staff's Data Requests ML 1.01-1.17**

Dated: May 4, 2007

ICC Staff Cross Ex. \_\_\_\_\_

Grace 4

**REQUEST NO. ML 1.06:**

For Peoples, please explain how Uncollectible Accounts Expense was allocated to (1) Rate 1 Non-Heating and (2) Rate 1 Heating. Please include an explanation for why Uncollectible Accounts Expense appears to be overallocated to Non-Heating customers and underallocated to Heating customers based upon the following observations:

For Peoples, according to page 29 of Schedule E-6, line no. 30, Uncollectible Accounts Expense for Rate 1 Non-Heating totaled \$2,014,399 and totaled \$29,553,701 for Rate 1 Heating in the test year. According to page 2 of Peoples Gas Ex. VG-1.2, line no. 24, Rate 1 Non-Heating revenues totaled \$34,033,000; which indicates that Uncollectible Accounts represent approximately 5.958 percent of revenues under present rates (\$2,014,399 divided by \$34,033,000). According to page 2 of Peoples Gas Ex. VG-1.2, line no. 25, Rate 1 Heating revenues totaled \$917,769,000; which indicates that Uncollectible Accounts represent approximately 3.22 percent of revenues under present rates (\$29,553,701 divided by \$917,769,000).

Applying a 5.958 percent uncollectible rate to \$14,402,000 in test year gas charge revenues at present rates for Rate 1 Non-Heating customers indicates that uncollectible gas charge revenues from Rate 1 Non-Heating customers should total \$858,071. The difference in revenues from base rate charges from Rate 1 Non-Heating customers proposed rates without Rider UBA and with Rider UBA, however, totals \$1,744,000 (\$26,051,000 - \$24,307,000, Peoples Gas Ex. VG-1.2, page 2 of 2, line no. 24, column (G) minus page 1 of 2, line no. 24, column (G)).

Applying a 3.22 percent uncollectible rate to \$689,564,000 in test year gas charge revenues at present rates for Rate 1 Heating customers indicates that uncollectible gas charge revenues from Rate 1 Heating customers should total \$22,203,961. The difference in revenues from base rate charges from Rate 1 Heating customers at proposed rates without Rider UBA and with Rider UBA, however, totals \$18,264,000 (\$280,420,000 - \$262,156,000, Peoples Gas Ex. VG-1.2, page 2 of 2, line no. 25, column (G) minus page 1 of 2, line no. 25, column (G)).

**RESPONSE:**

Under Peoples Gas' ("the Company's") proposed rates, the Uncollectible Accounts Expense for Rate 1N ("Expense") is not over-allocated to Rate 1N and is not under-allocated to Rate 1H. The Expense is allocated to base rates using allocation factors that are based on net-write-offs for each rate class for fiscal year 2006. When the gas cost portion of the Expense is recovered through Rider UBA rather than base rates, only the non-gas cost portion of the Expense is allocated in this manner. Any Expense recovered through Rider UBA would be based on the charges determined under the rider. These charges are not rate class specific and are applied to all Company supplied therms. If the gas cost portion of the Expense was to be recovered through base rates rather than Rider

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UBA, the gas cost portion of the Expense would be allocated using the same allocation factors that are used to allocate the non-gas cost portion of the Expense.

The write-off amounts used to allocate the Expense are found on page 29 of Schedule E-6, Lines 29 and 30 and are consistent with the amounts quoted by Staff above. However Staff inadvertently used the write-offs rather than the Expense that is being allocated in making its observations. The Expense amounts that are allocated are found on pages 13, 14, 15 and 16, Columns D, H, L, P, T, X, AA and AE of Schedule E-6 and can be derived by summing the amounts on Lines 93 and 94. The attached worksheet explains how the Expense is allocated in Schedule E-6. Lines 1 through 8 explain how the Expense is allocated to base rates when the gas cost portion of the Expense is stripped out of base rates and recovered through Rider UBA, as proposed by the Company. Lines 9 through 16 explain how the Expense would be allocated to base rates when the gas cost portion of the Expense is recovered in base rates.

The observations made by Staff also do not consider the application of the Equal Percentage of Embedded Cost Methodology reflected in Exhibit VG 1.3, pages 1 and 2, that was used to allocate the Embedded Cost of Service in Column C to derive the Proposed Revenue in Column G for Rates 1N, 1H and 2.

**Peoples Gas**  
**Uncollectible Expense Allocation Explanation**  
**Response to Data Request ML 1.06**

**Uncollectible Accounts Expense With Rider UBA**

Line No.	Service Classification	FY 2006 Net Write-Offs		Present Rates Revenues (3) [C]	Write-Offs / Revenues [D] [A] / [C]	Rider UBA Therms (4) [E]	Allocated Uncollectible Accounts Expense		
		Amount (1) [A]	Allocation % (2) [B] [A] / [A], Line 8				Base Rates Non-Gas Cost (5) [F] [B] x [F], Line 8	Rider UBA Gas Cost (6) (7) [G] \$ 0.2482 x [E]	Total (7) [H] [F] + [G]
1	1N	\$ 2,014,399	5.36%	\$ 34,033,000	5.92%	15,148,000	\$ 739,354	\$ 376,000	\$ 1,115,354
2	1H	29,553,701	78.95%	917,769,000	3.22%	586,938,000	10,847,222	17,050,000	27,897,222
3	2	5,867,093	15.67%	506,472,000	1.16%	366,090,000	2,153,425	9,087,000	11,240,425
4	4	-	0.00%	26,514,000	0.00%	8,458,000	-	210,000	210,000
5	6	-	0.00%	39,000	0.00%	18,000	-	-	-
6	7	-	0.00%	2,291,000	0.00%	-	-	-	-
7	8	-	0.00%	180,000	0.00%	179,000	-	4,000	4,000
8	Total	\$ 37,435,193	100.00%	\$ 1,487,298,000	2.52%	1,076,831,000	\$ 13,740,001	\$ 26,727,000	\$ 40,467,001

**Uncollectible Accounts Expense Without Rider UBA**

Line No.	Service Classification	FY 2006 Net Write-Offs		Present Rates Revenues (3) [C]	Write-Offs / Revenues [D] [A] / [C]	Rider UBA Therms (4) [E]	Allocated Uncollectible Accounts Expense		
		Amount (1) [A]	Allocation % (2) [B] [A] / [A], Line 16				Base Rates Non-Gas Cost (5) [F] [B] x [F], Line 16	Base Rates Gas Cost (7) [G] [B] x [G], Line 16	Total (7) [H] [F] + [G]
9	1N	\$ 2,014,399	5.36%	\$ 34,033,000	5.92%	-	\$ 739,354	\$ 1,438,296	\$ 2,177,650
10	1H	29,553,701	78.95%	917,769,000	3.22%	-	10,847,222	21,101,557	31,948,779
11	2	5,867,093	15.67%	506,472,000	1.16%	-	2,153,425	4,189,147	6,342,572
12	4	-	0.00%	26,514,000	0.00%	-	-	-	-
13	6	-	0.00%	39,000	0.00%	-	-	-	-
14	7	-	0.00%	2,291,000	0.00%	-	-	-	-
15	8	-	0.00%	180,000	0.00%	-	-	-	-
16	Total	\$ 37,435,193	100.00%	\$ 1,487,298,000		-	\$ 13,740,001	\$ 26,729,000	\$ 40,469,001

(1) Fiscal 2006 Net Write-offs used as basis for allocating test year 2006 Uncollectible Accounts Expenses. Found in Schedule E-6, Page 29, Lines 29 and 30.

(2) Allocation factors found in Schedule E-6, Page 29, line 28.

(3) Present rates weather normalized total revenue. See Exhibit VG 1.2, Page 1, Column F.

(4) Rider UBA therms as shown in Schedule E-4. Includes all therms for retail customers and company supplied therms for transportation customers.

(5) Base Rate Uncollectible Accounts Expense from Schedule E-6. Derived as follows: Total Uncollectible Accounts Expense - Ratemaking Adjustments - net Cost of Service Adjustments (\$40,776,000 - \$2,912,000 - (\$26,729,000 - \$2,605,000)). See Schedule E-6, pages 13, 14, 15, and 16, Columns D, H, L, P, T, X, AA and AE, (line 93 + line 94) for the total base rate Uncollectible Expense and the allocation to the service classifications. Allocation derived by applying the formula in Column F.

(6) Rider UBA Revenues. Derived by applying the test year Rider UBA charge shown in Exhibit VG 1.15 to all company supplied therms.

(7) Total may reflect rounding differences.